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FIRST-TIME HOMEBUYERS' PERCEIVED PREPAREDNESS:
A REALTORS' PERSPECTIVE

by

Jordan J. Aaberg

A thesis submitted in partial fulfillment
of the requirements for the degree

of

MASTER OF SCIENCE

in

Family, Consumer, and Human Development

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UTAH STATE UNIVERSITY
Logan, Utah

2012

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ABSTRACT

First-Time Homebuyers' Perceived Preparedness:

A Realtors' Perspective

by

Jordan J. Aaberg, Master of Science

Utah State University, 2012

Major Professor: Dr. Lucy M. Delgadillo

Department: Family, Consumer, and Human Development

The purpose of this research study was to identify, from the perception of realtors, how prepared first-time homebuyers (FTHBs) are when purchasing a home and to discover what kind of issues and problems arose during the home-buying process. This study also identified common factors used by realtors to identify: how FTHBs are prepared, usefulness of FTHB workshops, FTHBs' mortgage knowledge, and recommendations to better prepare FTHBs. The goal was twofold: identify areas in the home-buying process where FTHBs are less prepared and provide information to financial educators and real estate agents to help fill the gap in FTHB preparedness. This study covered three main areas of buying a home: pre-purchase preparedness, mortgage finance, and the closing process.

Data for this study were collected using an online survey emailed to realtors in the Cache Rich Association of Realtors (CRAR) in Northern Utah. A total of 66 realtors

responded to the survey. Descriptive statistics, matched pair t tests, correlations, and simple regression analyses were used.

Overall, realtors find their FTHB clients to be less than somewhat prepared. This is evident when the mean percentage of FTHBs that realtors stated were well-prepared for homeownership was only 44.4%. According to realtors' perceptions, many FTHBs did not have their personal finances in order and poorly understood the cost of obtaining a mortgage and its process. The analysis of the data collected from realtors' responses also identified the most frequent problem or issue that arose during the home-buying process was obtaining a mortgage. When asked if FTHB workshops are useful, 60% of realtors perceived them to be more than somewhat useful. Reasons for their usefulness included being educational, beneficial, and preparing FTHBs for buying a home.

Results also indicated that the level of mortgage knowledge and knowledge about housing sustainability directly related to the level of pre-purchase preparedness of FTHBs as perceived by realtors. When pre-purchase preparedness levels were low, mortgage knowledge and knowledge about housing sustainability levels were also perceived to be low. In the end, realtors offered their suggestions on how to better prepare FTHBs for homeownership and their answer to this question was to have FTHBs work with a *qualified* realtor and network of professionals. The second most frequent response was to educate FTHBs on affordability and housing sustainability.

PUBLIC ABSTRACT

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Utah State University, 2012

Major Professor: Dr. Lucy M. Delgadillo

Department: Family, Consumer, and Human Development

Realtors are usually homebuyers' first contact in buying a home. It is the realtor's goal to work in the best interest of the client. Agents provide all avenues of opportunity to first-time homebuyers (FTHBs) such as FTHB programs, mortgage options, and connections with inspectors, appraisers, and title companies. Realtors work with clients and other real estate agents in connecting sellers and buyers and creating real estate transactions. FTHBs have the option to trust their agents wholeheartedly and accept what they are saying to be true and in their best interest, or they can become educated about the home-buying process and know what FTHB programs and mortgage options are available to them. This study identified, from the perception of realtors, how prepared FTHBs are when purchasing a home and discovered what kind of problems arose during the home-buying process. This study also identified how realtors characterized: FTHBs who were prepared, usefulness of FTHB workshops, FTHBs' mortgage knowledge, and recommendations to better prepare FTHBs.

Realtors who are associated with the Cache Rich Association of Realtors (CRAR), a professional association of licensed real estate agents in Northern Utah, were asked to participate in an emailed survey. A total of 66 realtors responded and returned the survey.

Based on the results of this study, realtors find FTHBs not well-prepared for homeownership. FTHBs did not have their personal finances in order and did not understand the cost and process of obtaining a mortgage. Realtors also reported that the most frequent problem or issue that arose during the home-buying process was obtaining a mortgage. FTHB workshops were perceived to be useful and beneficial because they prepare FTHBs for buying a home.

Results also indicated that mortgage knowledge and knowledge about housing sustainability directly related to the level of pre-purchase preparedness of FTHBs. When pre-purchase preparedness levels were low, mortgage knowledge and knowledge about housing sustainability levels were also low. Realtors suggested that a FTHB would be better prepared for homeownership if they worked with a *qualified* realtor and network of professionals. They also suggested that FTHBs be educated on affordability and housing sustainability.

ACKNOWLEDGMENTS

I would like to thank all of those who have been a great help and support to me on this research study. Without the help of these people I could not have been able to complete my graduate work.

Dr. Lucy Delgadillo, my major professor, has helped me every step of the way. Her research knowledge and ideas have helped me conceive this research project. I am grateful for the long hours she spent thinking and rethinking topics with me. I admire her enthusiasm for the housing industry and have followed in her footsteps.

Next, Dr. Jean Lown has been a motivator for me to complete my master's program. She has spent many hours editing and correcting my thesis. I appreciate her confidence in me and the passion she has for excellence.

Finally, I thank Roxane Pfister and her vast knowledge of statistics. She was always willing to meet with me to run statistics and discuss the outcomes. She has contributed not only to my thesis, but also to my better understanding of statistics.

Of course I wouldn't have made it through the two-year program without the close friendship of my cohort. We stuck together and found many reasons to celebrate. Through their encouragement and knowledge I have succeeded.

Special thanks go to my wife, Kim, and our children, Lizzie and Jack. I appreciate Kim's sacrifice to live a few more years in poverty and stress as I furthered my education. She was my shoulder to complain to as I often struggled through assignments and projects. She was also there to rejoice with as each semester came to a finish.

Jordan Aaberg

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CHAPTER I

INTRODUCTION

Real estate agents are usually housing consumers' first contact in buying a home. It is the agent's goal to work in the best interest of the client. Agents provide all avenues of opportunity to first-time homebuyers (FTHB) such as FTHB programs, mortgage options, and connections with inspectors, appraisers, and title companies. Agents work with clients and other real estate agents in connecting sellers and buyers and creating real estate transactions. Clients have the option to trust their agents wholeheartedly and accept what they are saying to be true and in their best interest; or they can become educated about the home-buying process and know what FTHB programs and mortgage options are available to them. There are many non-profit and government agencies that provide financial education to prepare consumers for purchasing a home. These workshops give consumers an advantage in working with realtors in the home-buying process.

Financial education comes in many forms including face-to-face, over the phone, and in a group classroom setting. Financial education is available for many topics including, but not limited to, credit counseling, debt management, mortgage default, reverse mortgage, homeownership sustainability, and financial management. Homeownership education and counseling began in earnest about 40 years ago, primarily to reduce the high incidence of defaults and foreclosures among Housing and Urban Development (HUD) section 235 participants (Hirad & Zorn, 2001). Homeownership education and counseling comes in two forms: pre-purchase counseling and post-

purchase counseling. Pre-purchase counseling includes homeownership preparation training.

Purpose of the Study

The purpose of this research study is to identify, from the perception of real estate agents, how prepared FTHBs are when purchasing a home; and to discover what kind of issues and problems arise during the home-buying process. This study will also identify common factors used by real estate agents to identify: how FTHBs are prepared, usefulness of FTHB workshops, FTHBs' mortgage knowledge, and recommendations to better prepare FTHBs. The goal is twofold: identify areas in the home-buying process where FTHBs are less prepared, and provide information to financial educators and real estate agents to help fill the gap in FTHB preparedness. This study will cover three main areas of buying a home: pre-purchase preparedness, mortgage finance, and the closing process.

Need for the Study

Little research has been conducted on the role of real estate agents in educating their clients about the home-buying process (Memken & Niemeyer, 2010). Since agents are one of consumers' first contacts in the housing market, it can be important to know how they perceive their clients' knowledge and what they do to educate their clients. With the 2007-2008 housing crisis, more people may be looking to government-sponsored homeownership programs to help them achieve their housing goals (Memken

& Niemeyer, 2010). Although these alternatives provide affordable housing and incentives for FTHBs to become homeowners, it is important that FTHBs make educated decisions. According to Essene and Apgar (2007), everyone in the housing industry has a role to play in improving the efficiency and fairness of the mortgage marketplace. In addition to the mortgage lender, real estate agents play an important role in educating prospective homebuyers about not only the decision on which home to buy, but also the mortgage financing process.

In 2008, during the mortgage meltdown crisis, the federal government announced the Housing and Economic Recovery Act of 2008 to provide a refundable tax credit to qualified FTHB purchasing a home. This was a one-time tax credit of up to \$7,500 that was required to be paid back. In 2009, legislation was signed that extended and expanded the FTHB credit allowed by the 2008 Act. It increased the tax credit to \$8,000, allowed for repeat homebuyers to receive a tax credit up to \$6,500, and unlike the 2008 tax credit, the 2009 amendment did not require the credit to be repaid (Internal Revenue Service [IRS], 2011). In 2010 it was extended to military families only (IRS, 2011). This is one of many examples of FTHB programs that aid FTHBs in purchasing a home.

These alternatives and aids to homeownership provide housing opportunities to those who are oftentimes unable to sustain homeownership. These programs also persuade future homeowners to buy now instead of waiting till they are in a better financial situation to purchase a home. With these alternatives and aids to homeownership it is even more imperative that FTHBs make sound financial purchases based on their individual circumstances. Families with low or unstable incomes, low

cash reserves, and little experience with financial institutions are more vulnerable to economic events and market factors that threaten their ability to maintain mortgage payments and meet essential needs (Wiranowski, 2003). A household experiencing housing affordability problems is more likely to default on mortgage payments and more likely to lose the home (Delgadillo & Pimentel, 2007). Even before the current turmoil in housing markets, growing concern that consumers are inadequately prepared for today's financial marketplace has generated a substantial amount of interest in financial education (Lyons, Palmer, Jayaratne, & Scherpf, 2006).

Homeownership preparedness, in this study, is characterized by three main categories: pre-purchase preparedness, mortgage finance, and the closing process. Pre-purchase preparedness is defined by, but not limited to, participating in a homeownership workshop, saving for a down payment, and having a basic knowledge of real estate contracts. Mortgage finance is defined by basic knowledge of available loan options, distinguishing between fixed and variable rate financing, and housing affordability. The closing process is defined by a basic understanding of the closing documents, whether or not FTHBs read the closing documents, and how knowledgeable FTHBs are about the cost of closing the contract on a home. Along with identifying real estate agents' perception of how prepared FTHBs are when purchasing a home, this study will also examine agents' perception of FTHBs' housing affordability.

Real estate agent is a general term used to define one who acts as an intermediary on behalf of homebuyers and sellers for a fee or commission. A realtor is a real estate agent who is affiliated with the trade organization of the National Association of Realtors

(NAR) and adheres to a strict set of rules, ethics, and guidelines (Galaty, Allaway, & Kyle, 2006). For the purpose of this study, realtors, who adhere to a strict set of rules, ethics, and guidelines, will be used as the population of this study.

Objectives of the Study

The objectives of this research study are threefold. First, to identify from the perception of realtors, how prepared FTHBs are when purchasing a home and what factors best predict FTHB preparedness. Second, to identify a list of factors and most common responses from realtors to better educate and prepare FTHBs for homeownership. Finally, to discover what kind of issues and problems arise during the home-buying process.

Benefits

This study will benefit many actors in the community including: providers of homeownership counseling, realtors, lenders, and homebuyers. Knowledge gained from this study can help provide quality education to citizens in the community, specifically FTHBs. Data from this study can be used to (1) better identify “best practices,” (2) improve FTHB education effectiveness, and (3) establish educational programs that lead to better financial decisions for consumers and their communities (Lyons et al., 2006).

Along with these benefits are the benefits that more effective and improved homeownership education will bring to the community and providers of affordable housing programs. According to Hiram and Zorn (2001), homeownership education and counseling is believed to better prepare borrowers to recognize and accept the

responsibility of owning a home. By helping households purchase homes they can afford, and can afford to keep, homeownership counseling has been credited with stabilizing families and neighborhoods. Hira and Zorn (2001) also found that pre-purchase homeownership counseling can increase the success of affordable lending programs by helping families keep their homes, a substantial benefit to both homeowners and lenders.

The next chapter presents a review of homeownership education and counseling. Main effects of homeownership education and counseling are included, as well as who the homebuyers are, and factors related to home-buying preparedness.

CHAPTER II

LITERATURE REVIEW

Overview

This literature review provides a brief history of homeownership education and counseling, including its main effects on participants. A current profile of first-time homebuyers (FTHB) is provided to better understand who is involved in buying a home, along with steps for pre-purchase preparedness examined from current research studies.

History of Homeownership Education and Counseling

During homeownership education and counseling borrowers learn about the responsibilities of owning and maintaining a home (Hirad & Zorn, 2001). Borrowers also become aware of how to sustain homeownership and increase financial well-being. Homeownership education and counseling dates back to the late 1960s (Shabecoff, 1994). The industry evolved from the implementation of the 1968 Housing and Urban Development (HUD) Act, in which HUD could authorize public and private organizations to provide counseling to mortgagors in the Section 235 and 237 programs. HUD Section 235 was a Mortgage Insurance and Assistance Payments for Homeownership program that assisted lower-income homebuyers through mortgage subsidy payments paid directly to the lender by HUD (HUD, 2010). HUD Section 237 is mortgage insurance for persons with credit problems. The resulting services and infrastructure provided the foundation for the industry (Quercia & Wachter, 1996).

The timeline of the industry is as follows. In 1969 an amendment to the 1968 Act allowed HUD to authorize additional entities to provide counseling and expanded counseling to include topics such as money management and child care. In 1971 HUD implemented legislation to set up a system to approve housing counseling agencies. This was brought on by a lawsuit against HUD by Section 235 participants who lost their homes. In 1973 the National Federation of Housing Counselors (NFHC) was created to provide training for its members and to act as a lobby. In 1974 legislation known as Section 801 of the 1974 Housing and Community Development Act authorized HUD to grant funding for housing counseling agencies. In 1977 and 1987, HUD legislation broadened counseling to include single-family homeowners, emergency homeownership, and home equity conversion (Quercia & Wachter, 1996; Wiranowski, 2003). Although counseling has evolved since the 1960s, the industry remains fragmented because of counseling types, delivery structures, and funding sources (Quercia & Wachter, 1996).

Effects of Homeownership Education and Counseling

There are manifold motivations for supporting homeownership counseling. Counseling can, for example, provide consumer outreach in nontraditional settings, build trust in the mortgage lending process, and provide lenders with mortgage-ready applicants (Hirad & Zorn, 2001). Recent studies also show that pre-purchase counseling is linked to lower risk of delinquency and default (Wiranowski, 2003). This is accomplished because (1) potential homebuyers learn the process and pitfalls of homebuying as well as skills for successful purchase and ownership, and (2) after getting

informed, some potential buyers may delay purchase (Wiranowski, 2003). With homeownership education and counseling there comes a variety of delivery structures including: individual counseling, classroom setting with a group of participants, home study counseling, and counseling over the phone. According to Hiram and Zorn (2001), different counseling programs vary in their effectiveness; borrowers receiving counseling through individual programs experience a 34% reduction in delinquency rates, all things equal, while borrowers receiving classroom and home study counseling obtain 26% and 21% reductions, respectively. The researchers also report no evidence that telephone counseling mitigates delinquency risk.

Types of Homeownership Education and Counseling

There are two main types of homeownership education and counseling: pre-purchase and post-purchase. In the beginning, homeownership education and counseling focused on post-purchase counseling due to high levels of mortgage default and foreclosure. As mentioned above, counseling was provided for participants in the Section 235 program that experienced rates of foreclosure approaching 19%, which was far higher than the 4% rate for mortgages insured under the Federal Housing Administration's Section 203 program (Wachter, 1980). About two decades ago, the industry shifted its concentration from post-purchase to pre-purchase programs, largely due to the advent of lending programs for underserved markets (Baker & Collins, 2005). These included Community Reinvestment Act (CRA) amendments in 1989, followed by the Federal Housing Enterprise Financial Safety and Soundness Act in 1992 that

established affordable housing goals for Fannie Mae and Freddie Mac (Baker & Collins, 2005; Wiranowski, 2003).

Pre-purchase education and counseling are designed to better prepare families for the responsibilities of homeownership by mapping out the home-buying process, encouraging financial planning and money management, and explaining home maintenance and repair issues and concerns (Hirad & Zorn, 2001). One main focus of this study is pre-purchase education and counseling. Pre-purchase education and counseling is generally conducted as a part of a broader initiative to extend homeownership opportunities. As a consequence, counseling programs are geared mostly toward first-time homebuyers and specifically toward low-income groups, minorities, immigrants, city dwellers, and others who have yet to attain homeownership at the national average rate (Hirad & Zorn, 2001).

The other type of homeowner education and counseling is post-purchase counseling. Post-purchase counseling focuses mainly on delinquency counseling to prevent mortgage default. Delinquency counseling attempts to bring borrowers current on their mortgage or to terminate tenure when necessary through less costly or traumatic means than foreclosure (Wiranowski, 2003). According to Wiranowski (2003), delinquency counseling has several components including: (1) identifying the cause and extent of delinquency, (2) assessing the motivation and resources of the borrower to reinstate, (3) teaching budgeting skills and reviewing the borrower's financial position, (4) negotiating with creditors to arrange repayment plans or modifications, (5) providing

referrals for underlying needs, and (6) exploring subsidy programs and foreclosure alternatives.

Post-purchase counselors also help borrowers with loss mitigation. Loss mitigation is a service in which a third party helps a homeowner handle the process of negotiating mortgage terms with a lender with the aim of preventing foreclosure. The Home Affordable Modification Program is a government-sponsored plan to help Americans reduce their monthly mortgage payments to more affordable levels (HUD, 2010).

Finally, research has shown that financial education – including homeownership education and counseling – has a strong impact on all borrowing decisions, even the most complex, for the main reason that it makes borrowers more fully aware of the choices available (Martin, 2007). The literature review shows there is a need for financial education for FTHBs due to the following conclusions: there is a connection between knowledge and behavior, with increase in knowledge having a positive impact on personal finance behaviors; the benefits of financial education appear to span a number of areas including retirement planning, savings, homeownership, and credit use; financial education programs are most effective when they are tailored to the needs of the recipient and include face-to-face time, either with a counselor or in a classroom setting; financial education programs that cover specific topics and teach skills are better than those covering more general subjects (Martin, 2007).

Who Are the First-Time Homebuyers?

According to the National Association of realtors (NAR; 2010) first-time homebuyers (FTHB) represented 50% of all home sales in 2009, largely due to the homebuyer tax credit. It is reported that 93% of FTHBs used the first-time buyer tax credit. The median age of the FTHBs was 30 and the median income was \$59,900. Fifty-eight percent of all buyers are married couples, 20% are single women, 12% are single men, and 8% are unmarried couples.

The NAR (2010) reports that sources of down payment for those FTHBs who made a down payment are: 74% used savings, 27% received a gift from a friend or relative, and 9% received a loan from a family or friend. Eight percent borrowed money from a 401 (k) fund and 6% sold stocks or bonds. The median down payment was 4% for FTHBs. Ninety-five percent of FTHB chose a fixed rate mortgage. Fifty-six percent of entry level buyers financed their home with an FHA loan, while another 7% used the VA loan program. Forty-two percent said financing their home was more difficult than expected while 9% were rejected by a lender (NAR, 2010).

This study will examine three main variables about FTHB and their level of pre-purchase preparedness as perceived by realtors. The three variables are overall pre-purchase preparedness, mortgage and sustainability knowledge, and knowledge of the costs and obligations of homeownership. The following section will define these three variables and key indicators.

Are the Buyers Prepared?

Pre-purchase Preparedness

Pre-purchase preparedness encompasses: attending a FTHB workshop, saving for a down payment, and the amount of the down payment. Neighborworks (2005) research study found considerable value for homeownership education and counseling. They state five benefits of education and counseling for homeowners. They are: (1) reduced loan delinquency, (2) improved financial health and increased knowledge, (3) more efficient transactions, (4) increased neighborhood satisfaction, and (5) pricing considerations (Neighborworks, 2005). The first three impacts will be discussed below.

Research has found that FTHB workshops in the form of classroom education and one-on-one counseling has a positive outcome for participants (Hirad & Zorn, 2001). Several studies that examine the effect of education and counseling on default rates found lower delinquency and default rates (Neighborworks, 2005). Another study showed that participants in an education and counseling program had a default rate one-half that of non-counseled borrowers (Hartarska, Gonzalez-Vega, & Dobos, 2002).

Increasing FTHBs' financial literacy is important to improving access to credit for home mortgages (Courchane, Gailey, & Zorn, 2008). Knowing what a credit score is and the components of a credit report lead borrowers to better financial outcomes (Courchane et al., 2008). Credit scores greatly affect both the borrowers' ability to qualify for a loan and the loan interest rate, so that they pay less for mortgage financing (Neighborworks, 2005).

A study by Hartarska and colleagues (2002) argues that in-depth counseling makes borrowers and lenders better able to measure “ability to pay” and select appropriate loan products. Findings from the study suggest that counseled homebuyers are referred to lenders and real estate professionals when they are “mortgage-ready.” The same study showed that 45% more borrowers received down payment assistance due to participating in counseling (Hartarska et al., 2002).

Currently, markets are imposing stringent requirements on down payments, ability to pay, and good credit (Calem, Wachter, & Courchane, 2009). When FTHBs save up their own money to contribute to the purchase of a home as a down payment, they stand to lose their own money when house prices decline or if they become delinquent. Having this personal investment into the home is considered equity theory. Equity theory states that no borrower with substantial equity in their home would default, even if unable to make monthly payments. The borrower instead would sell the property in the market and pay off the loan, capturing the equity for himself. On the other hand, if there is negative equity, default may occur even if the borrower is able to make the monthly payments (Clauretie & Sirmans, 2003).

Mortgage Knowledge and Sustainability

In a study conducted to uncover the accuracy of borrower reported mortgage terms and house values, Bucks and Pence (2006) compare answers found on four different surveys. The Survey of Consumer Finance (SCF) was used to compare distributions with the same variables reported by lenders in three different surveys.

These sources are the Office of Federal Housing Enterprise Oversight (OFHEO), the Residential Finance Survey (RFS), and the Loan Performance (LP) Corporation.

Results show that household-reported surveys capture broad measures of housing wealth and mortgage terms reasonably accurately (Bucks & Pence, 2006). Almost all homeowners were able to provide a dollar amount or value range when asked about their house value. However, when it comes to adjustable rate mortgages (ARMs) borrowers tend to be more confused about their mortgage terms. Borrowers tend to underestimate the amount by which their interest rate can change (Bucks & Pence, 2006). The study further concludes that low-income families who are less educated are less likely to know their mortgage terms.

Cost and Obligations of Homeownership

In general, the closing process on a home consists of paperwork and settlement. The settlement is the time at which the loan is funded, the seller receives their funds, and the deed is recorded with the county. One of this study's focuses will be on FTHBs' knowledge of closing costs associated with buying a home. The closing procedure is regulated by federal law known as Real Estate Settlement Procedures Act (RESPA) (Galaty et al., 2006) which was enacted to protect consumers from abusive lending practices. RESPA also aids consumers during the mortgage loan settlement process. It ensures that consumers are provided with important, accurate, and timely information about the actual costs of settling or closing a transaction (Galaty et al., 2006).

RESPA regulations apply when a purchase is financed by a federally related mortgage loan (Galaty et al., 2006). Federally related loans are made by banks, savings

and loan associations, or other lenders whose deposits are insured by federal agencies. RESPA regulations apply to first-lien residential mortgage loans made to finance the purchase of a one-family to four-family home. RESPA consists of three main disclosures and documents given throughout the mortgage process. These documents and disclosures include: special information booklet, good-faith estimate of settlement costs, and uniform settlement statement (HUD-1 Form; Galaty et al., 2006).

The special informational HUD booklet must be provided to every person for whom a lender prepares a loan application (Galaty et al., 2006). The HUD booklet must be given at the time the application was taken or within three days afterwards. The booklet provides the borrower with general information about closing costs, and explains various elements of RESPA (Galaty et al., 2006).

The good-faith estimate is an estimate of the closing costs that must be given to the borrower no later than three business days after receiving a loan application. The lender must provide to the borrower a good-faith estimate of the closing costs the borrower is likely to incur. This estimate may be either a specific figure or a range of costs based on comparable past transactions in the area (Galaty et al., 2006).

The uniform settlement statement includes all actual charges that will be collected at closing, whether required by the lender or another party. RESPA requires that a special HUD form be completed to itemize all charges paid by a borrower and seller in connection with closing (Galaty et al., 2006).

Closing costs of a mortgage are the upfront cost of getting a loan. This cost is expressed as an annual percentage rate (APR). The HUD-1 Settlement Statement

associated with the closing documents contains all the actual costs associated with closing. This document is also given to the borrower earlier on in the mortgage loan application process but is just an estimate of the closing costs. The following items are included, but not limited to, in the closing cost: title insurance, loan origination fee, inspection, appraisal, land survey, realtor fees, homeowners insurance, upfront mortgage insurance, property taxes, prepaid interest, credit report fee, points to buy down the interest rate, amortization schedule fee, and recording fee.

A study conducted by Memken and Niemeyer (2010) sought the realtors' perception of their FTHB clients' knowledge of the documents signed at closing. Realtors were asked whether their clients read the documents associated with the home-buying process, and what they perceived their clients' knowledge of these documents to be. Results of this study showed that realtors perceived that a majority of their clients read very little of the documents they signed when buying a home (Memken & Niemeyer, 2010). Results also showed that realtors perceived that their clients had very little knowledge about the contents of those documents. Almost two-thirds of the realtors believed that their clients read one-half or less of the documents they signed at closing, and only 10-13% of realtors rated their clients as having a great deal of knowledge about the contents of those closing documents (Memken & Niemeyer, 2010).

Summary

This study is aimed at assessing the level of preparedness of FTHBs based on the perception of realtors. As stated above, this study will examine three main variables

about FTHBs and their perceived level of preparedness. The three variables are overall pre-purchase preparedness, mortgage and sustainability knowledge, and knowledge about the costs and obligations of homeownership. Recent studies and literature shows that pre-purchase-counseled clients do have lower default rates than non-counseled FTHBs (Hartarska et al., 2002; Neighborworks, 2005). Pre-purchase counseling also prepares FTHBs to be “mortgage ready” (Hartarska et al., 2002) and experience positive equity, becoming less likely to default on their mortgage (Calem et al., 2009), which is explained through equity theory. Literature also shows a need for better mortgage term knowledge, especially for adjustable rates (Bucks & Pence, 2006). Finally, a recent study on closing costs and documents discovered from the realtors’ perception that most FTHBs do not read and understand information disclosed in closing documents required by RESPA (Memken & Niemeyer, 2010).

Based on the literature review the following hypotheses are proposed:

Hypothesis 1: We expect to find no statistical differences between the means of the reported percentages of FTHB who are well prepared and those who are poorly prepared.

Hypothesis 2: Realtor’s perceptions of preparedness levels of FTHB will be positively associated with their perceptions of (a) FTHB attending a FTHB workshop, (b) FTHB knowledge of mortgages, (c) FTHB knowledge of mortgage sustainability, and (d) FTHB knowledge of the costs and obligations of homeownership.

The next chapter provides a description of the population, sample, detail for the data collection, the research questions, explanation of the variables used, and the data analysis procedures that were used in this study.

CHAPTER III

METHODOLOGY

The purpose of this study was to identify, from the perception of realtors, how prepared first-time homebuyers (FTHB) were when purchasing a home; and to discover what kind of problems arose during the home-buying process. This study also identified common factors used by realtors to identify: FTHBs' level of preparedness, usefulness of FTHB workshops, FTHBs' mortgage knowledge, and recommendations to better prepare FTHBs. Pre-purchase preparedness, mortgage knowledge, and the closing process are the three main topics related to buying a home that were covered in this study. This chapter provides a description of the population, sample, data collection, research questions, hypothesis, variables, and analysis procedures for this study.

Population

The population for this study was defined to be realtors belonging to the Cache Rich Association of Realtors (CRAR) in northern Utah. A realtor is a real estate agent who is affiliated with the trade organization of the National Association of Realtors (NAR) and adheres to a strict set of rules, ethics, and guidelines (Galaty et al., 2006). CRAR covers two counties in Northern Utah: Cache and Rich County. There are approximately 320 member realtors in the CRAR.

Sample

All realtors who are part of CRAR were eligible for the study. To increase the reliability and validity of the research findings, simple random sampling was used. A membership list from the CRAR website of all eligible realtors was entered into the Statistical Package for the Social Sciences (SPSS) where 250 subjects were randomly chosen, giving each participant an equal probability of being selected (Cohen, 2007). The basis for this sampling procedure was that the variance between individual results within the sample is a good indicator of variance in the overall population, thus minimizing bias and simplifying accuracy of results (Cohen, 2007). In order to discern a statistically significant difference at the .05 alpha level, a minimum sample size of 60 realtors was needed. A sample size of 60 would have an effect size of 0.35. An effect size is a measure of the strength of the relationship between two variables.

Survey and Data Collection

Data for this study was collected using Survey Monkey, an online tool to create and distribute web surveys through email. The survey contained 26 open- and closed-ended questions. Ten questions asked realtors to rate FTHB on a Likert scale from 1 to 10 based on level of preparedness, FTHB workshops, down payment amounts, and level of knowledge. For the nine open-ended questions, realtors were asked to list factors upon which they based their answers or describe why they agreed or disagreed with the statements. For one question realtors were asked to rate eight problems or issues that may arise during the home-buying process on a scale from 1 to 5, 1 being never and 5

being almost always. The survey ends with six demographic questions including: gender, age, length of time as a realtor, highest level of formal education attained, full- or part-time realtor, and percentage of FTHBs among their clients. See the survey in the Appendix.

An email with a letter of information explained the research study and process to participate. A follow-up email was sent out after 2 weeks encouraging any selected realtors who had not yet responded to the initial email to complete the survey. A second follow-up email was sent out again after an additional 2 weeks offering a request for participation. A final third follow-up email was sent out after two more weeks as a last resort for realtors to participate. No personal identifying information was collected or associated with the surveys; the responses of the participants will remain anonymous.

Research Questions

The purpose of examining preparedness levels of FTHBs and problems and issues that arose during the home-buying process, from the perception of realtors, was to identify areas where FTHBs are less prepared than realtors think they should be. Additionally, the responses collected in this survey helped to identify common perceptions of FTHBs by CRAR realtors. The information from this study will be provided to realtors and housing educators to help fill the gap in FTHB homeownership preparedness. The research questions, grouped by statistical analysis categories, are as follows:

Descriptive

(1) What were the most common reasons cited by realtors to classify FTHBs as well-prepared compared to poorly-prepared?

(2) To what extent did realtors who responded to the survey think that FTHB workshops were useful?

(3) What were the main reasons cited by realtors to rate FTHB workshops as useful compared to non-useful?

(4) To what extent did realtors who responded to the survey agreed that FTHB workshops should be mandatory?

(5) What were the main reasons cited by realtors who agreed in making a FTHB workshop mandatory compared to those who did not agree?

(6) What were the typical down payment percentages of the purchase price reported by realtors before and after the financial crisis of 2008?

(7) What were the most common reasons cited by realtors to classify FTHBs as knowledgeable about mortgages?

(8) What kind of problems and issues arose for FTHBs during the home-buying process?

(9) What were the most common recommendations given by realtors to better prepare FTHBs for homeownership?

Matched Pair *t* Test

(10) Was the percentage of FTHBs who were poorly-prepared, as reported by realtors, greater than the percentage of FTHBs reported as well-prepared?

Correlation and Regression

(11) Were the realtors' perceptions of the level of pre-purchase preparedness of FTHBs associated with FTHBs' mortgage knowledge, their knowledge about housing sustainability, their knowledge about the closing process, and their knowledge about the costs and obligations of homeownership?

Hypotheses

(1) For the matched pair t tests, one null hypotheses is presented. It was expected that the following null hypotheses would be rejected:

The percentage of FTHB who were well-prepared, as reported by realtors, would be equal to the percentage reported of those who were poorly-prepared.

(2) A relational hypothesis describes the relationship between two or more variables (Cohen, 2007). This study hypothesizes the relationship between the dependent variables and independent variables as follows:

Realtors' perceptions of preparedness levels of FTHBs would be positively associated with their perceptions of (1) FTHBs' knowledge of mortgages, (2) FTHBs' knowledge of housing sustainability, (3) FTHBs' knowledge about the closing process, and (4) FTHBs' knowledge of the costs and obligations of homeownership.

Variables

1. *Realtors' perception of the level of pre-purchase preparedness of FTHBs.* This was the dependent variable in the regression analysis and it was measured on a Likert

scale from 1-10, where 1 was not at all prepared and 10 was very well prepared.

2. *Well-prepared FTHBs.* Realtors were asked to respond regarding the percentages of FTHBs they perceived to be well-prepared for homeownership; this question was open-ended, and asked realtors to report a single percentage based on their expert knowledge.

3. *Well-prepared factors.* This question was open-ended, and asked realtors to list the factors they based their response on in reporting the percentage of FTHBs they perceived as well-prepared. Realtors' list of answers were categorized and coded.

4. *Poorly-prepared FTHBs.* Realtors were asked to respond on the percentages of FTHBs they perceived to be poorly-prepared for homeownership; this question was open-ended and asked realtors to report a single percentage based on their expert knowledge.

5. *Poorly-prepared factors.* This question was open-ended, and asked realtors to list the factors they based their response on in reporting the percentage of FTHBs they perceived as poorly-prepared. Realtors' list of answers were categorized and coded.

6. *FTHBs that attended a FTHB workshop.* Realtors were asked to estimate the percentage of FTHBs they perceived to attend a FTHB workshop; this was measured on an interval scale. Corresponding percentages were coded on a 1 to 10 scale.

7. *Usefulness of FTHB workshops.* Realtors were asked to what extent they think FTHB workshops were useful. This was measured on a Likert scale from 1 to 10, where 1 was not at all useful and 10 was very useful.

8. *Usefulness of FTHB workshop factors.* This question was open-ended and asked realtors to explain why they rated FTHB workshops as useful or not useful. Realtors' responses were categorized and coded.

9. *Mandatory FTHB workshop.* Realtors were asked to what extent they agreed or disagreed that FTHB workshops should be mandatory. This was measured on a Likert scale from 1 to 10, where 1 was disagree and 10 was agree.

10. *Mandatory FTHB workshop factors.* This question was open-ended and asked realtors to explain why they agreed or disagreed that FTHB workshops should be mandatory. Realtors' responses were categorized and coded.

11. *Typical down payments after 2008.* Realtors were asked to estimate the percentage of a typical down payment they perceived FTHBs made after 2008; this was measured on an interval/ratio scale. The corresponding percentages were coded on a 1 to 10 scale.

12. *Typical down payments before 2008.* Realtors were asked to estimate the percentage of a typical down payment they perceived FTHBs made before 2008; this was measured on an interval/ratio scale. The corresponding percentages were coded on a 1 to 10 scale.

13. *Realtors' perception of the level of mortgage knowledge of FTHB.* This was an independent variable in the regression analysis and it was measured on a Likert scale from 1 to 10, where 1 was very little knowledge and 10 was a lot of knowledge.

14. *Mortgage knowledge factors.* This question was open-ended, and asked realtors to list the factors they based their response on in reporting perceived levels of mortgage knowledge of FTHBs. Realtors' list of answers were categorized and coded.

15. *Realtors' perception of the level of housing sustainability knowledge of FTHBs.* This was an independent variable in the regression analysis and was measured on a Likert scale from 1 to 10, where 1 was very little knowledge and 10 was a lot of knowledge.

16. *Realtors' perception of the level of closing process knowledge of FTHBs.* This was an independent variable in the regression analysis and it was measured on a Likert scale from 1 to 10, where 1 was very little knowledge and 10 was a lot of knowledge.

17. *Realtors' perception FTHBs' level of knowledge of the cost and obligations of homeownership.* This was an independent variable in the regression analysis and it was measured on a Likert scale from 1 to 10, where 1 was very little knowledge and 10 was a lot of knowledge.

18. *Problems and issues that arose during the home-buying process.* Realtors were asked to rate seven problems that may arise during the home-buying process; this was measured on an ordinal scale from 1 to 5, where 1 was never and 5 was almost always. Realtors were also asked to add any additional problems that may arise during the home-buying process. This was an open-ended question. Realtors' responses were categorized and coded.

Demographic variables were also collected during the survey to better describe the population of realtors in the CRAR. Demographic variables included: gender, age, length of time as a realtor, highest level of formal education completed, full- or part-time realtor, and percentage of FTHBs among their clients (survey items 20-25). The final survey item (26) asked realtors' for recommendations on how to better prepare FTHBs for homeownership. This was an open-ended question; realtors' responses were categorized and coded.

Pilot Test

A pilot test was conducted to test the survey for face validity. Face validity, or logical validity, determines whether a measure seems logical. Experts were asked to judge whether the measure seemed to be effective. A group of five realtors were randomly selected from the CRAR membership list through SPSS and asked to complete the survey. They received the survey in person, and completed it in the presence of a researcher. Upon completion of the survey the realtors were asked to provide written feedback on what items or wording changes the instrument needed. Realtors were also asked to determine whether the measure seemed logical. Realtors who participated in the pilot-test were not included in the random selection of the study.

Data Analysis

There were five open-ended questions in the survey (survey items 3, 5, 8, 10, and 14) that were categorized, coded and reported using frequency distributions. The most

common realtor responses from these five survey questions, or mode of the frequency distribution, were used to better understand the answers to research questions 1, 3, 5, and 7. Not only did the mode of the frequency distribution provide researchers, educators, and realtors with the most common factors and perceptions in FTHB preparedness, but all responses from realtors provided a general list of factors and perceptions to help fill the gap in FTHB education and preparation.

In addition to these five open-ended questions, four Likert scale questions also used frequency distributions in determining the most common realtor responses. Survey items 7, 9, 11, and 12 asked realtors to respond on a Likert scale from 1 to 10. Realtor responses were entered into SPSS and ran through frequency distributions. The mode of these frequency distributions provided answers to research questions 2, 4, and 6.

Frequency distribution was also used to determine the frequency of problems that arose during the home-buying process using item 18 from the survey and answered the eighth research question. Frequency distributions were further used to determine the most common recommendations suggested by realtors to better prepare FTHBs (survey item 26), providing the answer to the ninth research question. Finally, the frequencies and distributions of demographics such as gender, age, years working as a realtor, level of formal education completed, whether the realtor is full-time or part-time, and percentage of FTHBs among clients was summarized to better define the sample population (survey items 20-25).

In response to research question 10, a matched pair *t*-test comparison was performed. Realtors' responses from survey items 2 and 4 were listed and entered into

SPSS to identify the mean percentages. The mean percentages were then compared to determine whether or not the null hypothesis was rejected.

Pearson's r correlation coefficient was used to examine the relationship between the dependent variable and the independent variables. The correlation coefficient is a number between +1 and -1. This number provided the magnitude and the direction of the association between two variables, reflecting the strength of the correlation. The direction of the correlation shows how the two variables were related. If the correlation was positive, it meant that as one variable increased the other also increased. If the correlation was negative, it meant that as one variable increased the other decreased. A correlation of 0 represented a total lack of correlation (Cohen, 2007).

For the final research question a multiple layer regression analysis was used to determine a relationship between the independent variables (survey items 13, and 15-17) and the dependent variable (survey item 1). An assessment of basic assumptions of non-linearity and heteroscedasticity was conducted before doing the regression procedure. Regression analysis helps one understand how the typical value of the dependent variable changes when any of the independent variables are varied, while the other independent variables are held constant. By looking at the standardized *Beta* we can identify the best predictor in the model (Cohen, 2007). In summary, this analysis helped educators and realtors understand the relationship of all independent variables combined, as well as each independent variable separately, to the dependent variable of FTHB homeownership preparedness.

IRB Statement

The appropriate applications were submitted to Utah State University's Institutional Review Board and approved. There was limited threat to participants in this study because personal information was not gathered.

CHAPTER IV

RESULTS

This study identified, from the perception of realtors, how prepared first-time homebuyers (FTHBs) were when purchasing a home, and the issues and problems that most frequently arose during the home-buying process. This study also listed common factors used by realtors to describe characteristics of prepared FTHBs, the usefulness of a FTHB workshop, FTHB mortgage knowledge, and recommendations to better prepare FTHBs. Pre-purchase preparedness, mortgage knowledge, and the closing process are the three main topics related to buying a home that were examined in this study.

Description of the Sample

Before running any frequency distributions for the demographics, the survey responses were coded and data were cleaned to identify possible data entry errors. For example, an average age was calculated for respondents who provided an age range rather than a specific age. In some cases, it was clear that responses resulted from a typographical error. For instance, one respondent stated that the highest level of education completed was grade school. To become a licensed realtor it is required that applicants be at least 18 years old and have a high school diploma. Thus, this response was changed and coded as a missing response.

The population for this study was defined to be realtors belonging to the Cache Rich Association of Realtors (CRAR) in northern Utah. There are approximately 320 member realtors in the CRAR. A sample of 250 subjects was randomly selected to

participate in the research study. Emails were acquired through the CRAR website and used to administer the survey. Twenty emails were returned and determined to be either discontinued or incorrect addresses. Four of the randomly selected realtors replied to the email indicating they were no longer CRAR members. In total, 226 surveys were presumably received by eligible realtors. Sixty-six responses were received for a response rate of 29.2%.

There were 60 respondents who answered all six of the demographic questions, leaving six respondents who left only one demographic question blank. Two of the six respondents left their age blank, two others left their years of employment as a realtor blank, and the final two left their level of education blank.

Table 1

Demographic Characteristics

Variables	<i>n</i>	%	Min	Max	Mean (<i>SD</i>)	Mode
Gender						
Male	41	62.1	-	-	-	-
Female	25	37.9	-	-	-	-
Level of education						
Grade school	-	-	-	-	-	-
Some high school	-	-	-	-	-	-
Completed high school	4	6.3	-	-	-	-
Some college	21	32.8	-	-	-	-
Associates degree	5	7.8	-	-	-	-
Bachelor's degree	31	48.4	-	-	-	-
Master's degree	3	4.7	-	-	-	-
Doctorate or professional degree	-	-	-	-	-	-
Type of realtor						
Full-time	58	87.9	-	-	-	-
Part-time	7	10.6	-	-	-	-
Hobby	1	1.5	-	-	-	-
Age	-	-	25	68	44.9 (11.605)	47
Years as a realtor	-	-	1	42	11.4 (10.318)	7
Percent of FTHB clients	-	-	5	90	42.2 (22.670)	50

Demographic characteristics of the respondents are provided in Table 1. Men represented a majority of the respondents at 62.1% with women comprising 37.9% of the respondents. Most respondents considered themselves full-time realtors (87.9%), with only one respondent reporting as a hobby (1.5%). Almost all respondents had at least some college education (93.7%) with 48.4% indicating they had a bachelor's degree and 4.7% having a master's degree. The age of respondents ranged from 25 to 68 years old with a mode of 47 years old. Average years worked as a realtor was 11.4, giving a wide range of experience from beginner realtors with only one year of experience to a seasoned realtor with 42 years of experience. On average, the respondents reported that 42.2% of their clients were FTHB.

Research Questions

Additional coding and data cleaning was conducted on the remaining survey questions. There were nine open-ended questions. Two of the nine questions simply asked realtors to respond with a percentage. The other seven questions asked realtors to list key factors or indicators as a basis for previous answers. These open-ended responses had to be categorized and then coded and assigned a category with a numeric number. Due to the nature of the open-ended questions, several responses were left blank. Below is a more detailed description of the categories and coding process.

Research Question One

What were the most common reasons cited by realtors to classify FTHBs as well-prepared compared to poorly-prepared? Realtors were asked two similar questions: what

percentage of FTHBs would you say were well-prepared for homeownership; and what percentage of FTHBs would you say were poorly-prepared for homeownership? Results are shown in Table 2. Realtors were asked to provide explanations for their responses. Responses were categorized and coded to answer this question. Depending on the percentage they reported for the initial question in this section their answers were assigned a number from 1 to 10. Responses coded 1 through 5 were reasons why FTHBs were well-prepared for homeownership and responses coded 6 through 10 were reasons why FTHBs were poorly-prepared for homeownership.

Table 2

Well-Prepared vs. Poorly-Prepared Percentages

Percentages based on realtors' perception	Min.	Max	Mean	Std. Deviation
% of FTHB well-prepared	0	98	44.4	25.601
% of FTHB poorly-prepared	2	100	42.0	26.505

Table 3

Well-Prepared vs. Poorly-Prepared FTHB Factors

Factors based on realtors' perception	<i>n</i>	%
Well-prepared factors		
General knowledge of home-buying process	8	7.5
Self-educated about the home-buying process	17	15.9
Personal finances in order	12	11.2
Realtors job to prepare FTHB	3	2.8
Understand mortgage process	9	8.4
Poorly-prepared factors		
Lack of general knowledge	12	11.2
No previous experience	5	4.7
Personal finances not in order	21	19.6
Lack of preparation	7	6.5
Don't understand mortgage process	13	12.2
Total	107	100.0

As shown in Table 2, realtors' responses indicated that they perceived about 44% of FTHBs as well-prepared and 42% of FTHBs as poorly-prepared. Table 3 further indicates the main factors used to identify FTHBs as either well-prepared or poorly-prepared. Realtors' responses show that most FTHBs who were perceived to be well-prepared have educated themselves for homeownership. These responses include factors such as: research on the internet; previous renters and, therefore, have a better understanding of homeownership; in this economy and with so many foreclosures they need to be prepared; and finally, they are emotionally prepared. This category also includes FTHB's current employment situations. Some responses indicated that the FTHB was prepared due to the fact they had a job or had finished college; this is an act of self-preparation, or self-education in becoming a homeowner. FTHBs were perceived to be poorly-prepared by realtors based on the fact that their personal finances were not in order. This includes: not having enough liquid assets in savings to cover a down payment and unexpected expenses during the home-buying process; not knowing the cost of homeownership or how much they can afford; and not saving for closing costs. In a close second was the lack of knowledge about the mortgage process where realtors indicated that FTHBs did not understand how their credit affects obtaining a mortgage, the costs involved with securing financing, and they get too far into the home-buying process without even meeting with a lender to get pre-approved or pre-qualified.

Research Question Two

To what extent did realtors who responded to the survey think that FTHB workshops were useful? A Likert scale from 1 to 10 was used to measure this variable,

Table 4

To What Extent Do You Think FTHB Workshops Are Useful?

Extent FTHB workshops are useful	<i>n</i>	%	Mean (<i>SD</i>)
Not at all useful	2	3.1	6.6 (2.845)
2	4	6.2	
3	8	12.3	
4	3	4.6	
5	9	13.8	
6	3	4.6	
7	5	7.7	
8	13	20.0	
9	2	3.1	
Very useful	16	24.6	
Total	65	100.0	

where 1 was not at all useful and 10 was very useful. As shown in Table 4, realtors thought that FTHB workshops were more than somewhat useful ($M = 6.6$, $SD = 2.845$).

Research Question Three

What were the main reasons cited by realtors to rate FTHB workshops as useful compared to non-useful? As a follow-up response to research question 2, realtors were asked to provide reasons for their response. Responses were categorized and coded to provide an answer to this question. Depending on the percentage realtors reported for the initial question in this section their answers were assigned a number from 1 to 10. Responses coded 1 through 5 were reasons why FTHB workshops were useful, and responses coded 6 through 10 were reasons why FTHB workshops were not useful. According to Table 5, realtors based their perception of the usefulness of FTHB workshops on the fact that the class provided good education and was beneficial. Other remarks made by realtors that fit into this category are “attending the workshop shows

Table 5

Coded Responses for Useful vs. Non-Useful Factors for FTHB Workshops

Factors based on realtors' perception	<i>n</i>	%
Useful factors		
Prepares homebuyers	14	24.1
Buyers learn to become financially prepared	3	5.2
Provides good education and benefit	17	29.3
Buyers learn about mortgage	2	3.4
Buyers learn about credit and credit scores	1	1.7
Non-useful factors		
It just fulfills a requirement	3	5.2
Buyers are not willing to learn and change	3	5.2
Buyer already know what is taught	6	10.3
It is confusing and a waste of time	7	12.1
Misc.	2	3.4
Total	58	100.0

serious intent from FTHBs to buy a home,” and “a FTHB who attends the class is easier to work with.”

On the other end of the spectrum, those realtors who rated the FTHB workshop as not useful gave the reason of the workshop being confusing and a waste of time. Respondents who rated FTHB workshops as not useful also stated that “the workshop contained too much information delivered in too short a time,” “incorrect information was being presented at the workshops,” and “some of the information presented was not necessary.” One realtor’s comment was “the FTHB needed clarification on some topics discussed in the workshop.”

Research Question Four

To what extent did realtors who responded to the survey agree that FTHB workshops should be mandatory? A Likert scale from 1 to 10 was used to measure this

variable where 1 was disagree and 10 was agree. As presented in Table 6, most realtors more than somewhat disagreed that FTHB workshops should be mandatory ($M = 3.7$, $SD = 2.762$).

A Pearson's r correlation was conducted to examine a relationship between the realtor responses for the usefulness of a FTHB workshop and whether or not realtors agreed or disagreed that FTHB workshops should be mandatory. The results show a weak relationship between the two variables as indicated in Table 7.

Research Question Five

What were the main factors cited by realtors who supported making a FTHB workshop mandatory compared to those who did not agree? As seen in Table 6, almost one third (31.8%) of the realtors who responded to the survey completely disagreed that a FTHB workshop should be mandatory. Table 8 shows the main factors why realtors

Table 6

To What Extent Do You Agree That FTHB Workshops Should Be Mandatory?

Extent FTHB workshops should be mandatory	<i>n</i>	%	Mean (<i>SD</i>)
Disagree	21	31.8	3.7 (2.762)
2	8	12.1	
3	8	12.1	
4	3	4.5	
5	14	21.2	
6	1	1.5	
7	3	4.5	
8	3	4.5	
9	0	0.0	
Agree	5	7.6	3.7 (2.762)
Total	66	100.0	

Table 7

Correlations Between Variables

Variables	1	2
1. Usefulness of FTHB workshops	1.000	.324
2. Agree or disagree that FTHB workshops be mandatory	.324	1.000

Table 8

Coded Responses for Disagree vs. Agree Factors That FTHB Workshops Be Mandatory

Factors based on realtors' perception	<i>n</i>	%
Disagree		
Motive for workshop	3	4.7
No more government regulations	5	7.8
It's my job as a realtor	7	10.9
Not useful	7	10.9
Don't like mandatory	13	20.3
Buyers freedom of choice	11	17.2
Discourages homebuyers	3	4.5
Agree		
Make home-buying easier	5	7.8
Provide an incentive instead of mandatory	6	9.4
Teaches long-term sustainability	4	6.3
Total	64	100.0

disagreed. About 20% of the responses stated that they did not like mandatory requirements and 17% stated that they felt a FTHB should have the freedom to choose if they want to attend a workshop and where to receive education about buying a home.

Although less than half of the respondents more than somewhat agreed that FTHB workshops should be mandatory, their reasons are worth considering. Five realtors stated that the workshops provided excellent education on owning a home and that FTHB who attend these workshops had an easier time with the home-buying process. Four out of 64

realtors stated that FTHB workshops taught buyers long-term sustainability, such as planning for the current and future costs of owning a home and understanding that buying a home is a big commitment, resulting in fewer foreclosures.

Research Question Six

What were the typical down payment percentages of the purchase price for FTHBs reported by realtors before and after the financial crisis of 2008? Down payment percentages were measured on an interval scale from 1 to 10. According to Table 9, the most common response from realtors for typical down payment percentage before 2008 was no down payment (mode = 1). After the 2008 financial crisis the typical down payment increased to 3% (mode = 3). A paired-sample *t* test was conducted to compare down payment percentages before and after 2008 (measured in intervals) as reported by

Table 9

Typical Down Payments as Perceived by Realtors Before and After 2008

Down payment amount	Before 2008		After 2008		Mode	Mean	SD	df	t
	n	%	n	%					
(1) No down payment	32	51.6	12	18.5	-	-	-	-	-
(2) 1-2%	7	11.3	5	7.7	-	-	-	-	-
(3) 3%	21	33.9	40	61.5	-	-	-	-	-
(4) 4-5%	1	1.6	5	7.7	-	-	-	-	-
(5) 6-9%	1	1.5	2	3.1	-	-	-	-	-
(6) 10%	-	-	-	-	-	-	-	-	-
(7) 11-14%	-	-	-	-	-	-	-	-	-
(8) 15%	-	-	1	1.5	-	-	-	-	-
(9) 16-19%	-	-	-	-	-	-	-	-	-
(10) 20% or more	-	-	-	-	-	-	-	-	-
Total	62	100.0	65	100.0	-	-	-	-	-
<i>t</i> -test results									
Before 2008	-	-	-	-	1	1.9	1.036	60	5.100***
After 2008	-	-	-	-	3	2.8	1.170	60	

****p* < .001

the realtors. There was a statistically significant difference in the before 2008 ($M = 1.9$, $SD = 1.036$) and after 2008 ($M = 2.8$, $SD = 1.170$) down payment percentage interval; $t = 5.100$, $p = 0.000$. These results suggest that the 2008 financial crisis significantly increased the amount of down payment as reported by realtors.

Research Question Seven

What were the most common reasons cited by realtors to classify FTHBs as knowledgeable about mortgages? Responses show that realtors think the level of mortgage knowledge of FTHBs was low ($M = 3.2$, $SD = 1.90$) measured on a scale from 1 to 10, where 1 was very little knowledge and 10 was a lot of knowledge (see Table 10). Common reasons for realtors to classify FTHBs as knowledgeable or unknowledgeable were gathered in a follow-up question. Table 11 indicates why realtors rated their FTHB clients with a low level of mortgage knowledge. Realtors perceived that FTHBs lack an understanding of the mortgage process. This is evident through realtor responses such as

Table 10

What Do You Think the Level of Mortgage Knowledge Is of Your FTHB Clients?

Level of mortgage knowledge	<i>n</i>	%	Mean (<i>SD</i>)
Very little knowledge	16	24.6	3.2 (1.900)
2	8	12.3	
3	16	24.6	
4	9	13.8	
5	10	15.4	
6	3	4.5	
7	2	3.0	
8	3	3.1	
9	1	1.5	
A lot of knowledge	0	0.0	
Total	65	100.0	

Table 11

Coded Responses for Knowledgeable vs. Unknowledgeable About Mortgages

Factors based on realtors' perception	<i>n</i>	%
Knowledgeable factors		
Basic understanding of mortgages	3	7.3
Self-educated	2	4.9
Realtors job to educate the buyer	3	7.3
Unknowledgeable factors		
No previous experience	3	7.3
Lack of understanding about the cost of ownership	4	9.8
Not motivated to gain knowledge	5	12.2
Don't understand mortgages and it's process	21	51.2
Total	41	100.0

“buyers haven’t met with a lender to get pre-qualified,” “buyers lack understand of mortgage programs and requirements,” “buyers’ current credit score is unsatisfactory,” and “buyer has no job or lack of job history.”

Research Question Eight

What kinds of problems and issues arose for FTHBs during the home-buying process? This question measured how often certain problems or issues arose during the home-buying process on an ordinal scale from 1 to 5, where 1 was never and 5 was almost always. Table 12 shows that realtors perceived the most frequent problem that arose during the home-buying process was obtaining a mortgage ($M = 3.3$, $SD = .834$), followed by confusion about the transaction ($M = 3.1$, $SD = .785$).

In an open-ended question realtors were also asked to list any other problems that often occurred during the home-buying process. Responses to this question were categorized and coded. Listed in Table 13 are the realtor responses. Underwriting

Table 12

Problems and Issues That Arise During the Home-Buying Process

Problem or issue	Mean	Std. Deviation
Obtaining homeowners insurance	1.9	.645
Getting qualified home inspectors	2.1	.864
Getting any testing or inspections done	2.3	.954
Getting needed repairs made	3.0	.799
Obtaining a mortgage	3.3	.834
Confusion about the transaction	3.1	.785
Spending more than they may be able to afford	2.7	.877

Table 13

Additional Coded Responses for Problems That Arise During the Home-Buying Process

Additional problems	<i>n</i>	%
Low home values	5	16.7
Buyers insecurity	4	13.3
Buyers are not prepared for the cost of mortgage	3	10.0
Timing issues	5	16.7
Underwriting delays	7	23.3
The closing documents are overwhelming	2	6.7
Buyers do not understanding the purpose of a realtor	4	13.3
Total	30	100.0

delays was the most cited response. Such delays included problems with an inspection, title problems, credit issues, making large purchases while waiting for a mortgage loan to be approved, and new government regulations and requirements.

Research Question Nine

What were the most common recommendations given by realtors to better prepare FTHBs for homeownership? Responses to this open-ended question were categorized and coded. Table 14 shows that the most common response was to educate

Table 14

Coded Recommendations Given by Realtors to Better Prepare FTHBs

Common recommendations from realtors	<i>n</i>	%
Raise awareness/availability of FTHB workshops	6	9.1
Help homebuyers to self-educate	7	10.6
Teach more about affordability and sustainability	8	12.1
Teach buyers to use a reliable realtor and network of professionals	32	48.5
Teach buyers about the mortgage process	5	7.6
Provide courses in public schools	4	6.1
Provide an incentive or motivation to attend	2	3.0
Present specialized information	2	3.0
Total	66	100.0

FTHBs to find a reliable realtor (48.5%). Many responses indicated that a realtor can help FTHBs through the home-buying process and will connect them to a network of valuable professionals such as mortgage lenders, title companies, insurance agents, and attorneys (if necessary). As mentioned by a respondent, “it is the realtor’s fiduciary responsibility to ensure that the FTHB is educated on all items included in the survey.” It is also worth mentioning that the second most common recommendation was to teach FTHBs about housing affordability and housing sustainability (12.1%). Responses in this category include: FTHB workshops should teach buyers to budget and understand how their mortgage payment will fit; the workshop should educate FTHBs whether or not they can or should buy a home at this time; and one realtor even recommended teaching homeowners about equity and the value it brings to owning a home.

Research Question Ten

Was the percentage of FTHBs who were poorly-prepared, as reported by realtors, greater than the percentage of FTHBs reported as well-prepared? This open-ended question asked realtors to provide a percentage, based on their experience, of FTHBs they thought were well-prepared for homeownership. Realtors were then asked to estimate the percentage of FTHBs they thought were poorly-prepared (Table 2). Before statistical analyses were run on these data responses that were a range of percentages were averaged to provide a single percentage ($75\%-85\% = 80\%$) and responses with a phrase such as “no FTHB is well-prepared” was changed to 0%.

Once the data were cleaned, frequency distributions were run to determine the minimum, maximum, mean, and standard deviation of realtor responses (Table 2). According to the realtor responses 44.4% ($SD = 25.601$) of FTHBs were well-prepared and 41.9% ($SD = 26.505$) of FTHBs were poorly-prepared for homeownership with a mode of 50% for both.

Hypothesis 1

It was expected that the null hypothesis – the percentage of FTHBs who were well-prepared, as reported by realtors, would be equal to the percentage reported of those who were poorly-prepared – would be rejected. A matched pair *t*-test comparison was performed and determined that the null hypothesis was not rejected (Table 15).

Table 15

Matched Pair t Test on FTHBs Perceived as Well-Prepared vs. Poorly-Prepared

Matched pair <i>t</i> test	<i>t</i>	<i>df</i>	Sig.
Well-prepared vs. poorly-prepared	.423	65	.674

Research Question Eleven

Were the realtors' responses of the level of pre-purchase preparedness of FTHBs associated with FTHBs' mortgage knowledge, their knowledge about housing sustainability, their knowledge about the closing process, and their knowledge about the cost and obligations of homeownership? Responses to this question were coded and cleaned. Pearson's *r* correlation coefficient analysis was used to determine which independent variables were more closely associated with the dependent variable (Table 16). The analysis determined that the independent variables of mortgage knowledge and knowledge about housing sustainability were most closely associated with the level of pre-purchase preparedness. The positive relationship described in Table 17 indicates that the more knowledge FTHBs have, as perceived by realtors, about mortgages and housing sustainability, the higher their overall pre-purchase preparedness level.

Table 16

Correlation Matrix for Independent Variables

Variables	1	2	3	4
1. Overall pre-purchase preparedness	1.000			
2. Mortgage knowledge	.624**			
3. Housing sustainability knowledge	.469**	.418**		
4. Knowledge of closing process	.557**	.579**	.415**	

5. Knowledge of the costs of Homeownership	.467**	.395**	.695**	.539**
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**Correlation is significant at the .01 level.

Table 17

Multiple Layer Regression (DV: Overall Pre-Purchase Preparedness; IV: Mortgage Knowledge, Housing Sustainability Knowledge)

Independent variables	Beta	Std. error	Beta (standard)	Sig.
Constant	1.508	.485	-	.003
Mortgage knowledge	.511	.108	.487	.000
Housing sustainability knowledge	.263	.084	.322	.003

Note. $R = .476$.

Hypothesis 2

This study hypothesized the relationship between the dependent variable and independent variables as follows: realtors' perceptions of preparedness levels of FTHBs would be positively associated with their perceptions of (1) FTHBs' knowledge of mortgages, (2) FTHBs' knowledge of housing sustainability, (3) FTHBs' knowledge about the closing process, and (4) FTHBs' knowledge of the costs and obligations of homeownership. The multiple layer regression analysis showed that this hypothesis was supported; the relationship between the dependent variable was positively associated with the independent variables.

Summary of Findings

This chapter presented the results of the statistical analysis of the data gathered from survey responses by realtors about the perceived knowledge and pre-purchase preparedness level of their FTHB clients. Overall, realtors found their FTHB clients to be less than somewhat prepared. This was evident when the mean percentage of FTHBs

that realtors stated were well-prepared for homeownership was only 44.4%. According to realtors' perceptions, many FTHBs did not have their personal finances in order and poorly understood the cost of obtaining a mortgage and its process. Realtors' perceptions also classified FTHBs as having less than some knowledge in three other areas of the home-buying process: housing affordability and being able to make house payments in the future (housing sustainability), the closing process, and the cost and obligations associated with owning a home.

The analysis of the data collected from realtors' responses also identified the most frequent problem or issue that arose during the home-buying process was obtaining a mortgage. A majority of realtors also perceived that underwriting delays, such as credit issues, making big purchases while waiting for a mortgage to be approved, regulation changes, and inspections or title problems occurred more often than other problems during the process. This analysis supported the overall findings that FTHBs lack understanding about the mortgage process and are not financially prepared for homeownership.

When asked if FTHB workshops are useful, 60% of realtors perceived them to be more than somewhat useful. Reasons for their usefulness included being educational, beneficial, and preparing FTHBs for buying a home. However, when these same realtors were asked if FTHB workshops should be mandatory, the majority of them disagreed. Realtors felt that there was no need to make FTHB workshops mandatory and that FTHBs should have the freedom to choose where and if to get educated on buying a

home. The data also showed that the realtors estimated only 20% of FTHB attended a FTHB workshop.

Finally, data indicated that typical down payment amounts after 2008, as perceived by realtors, have increased compared to before the financial crisis of 2008. Most likely this is due to tighter lending laws and new government regulations. In the end, realtors offered their suggestions on how to better prepare FTHBs for homeownership. Their answer to this question was to have FTHBs work with a *qualified* realtor and network of professionals. The second most frequent response was to educate FTHBs on affordability and housing sustainability. Suggesting that FTHBs need more education in housing sustainability and affordability support the study's findings that FTHBs lack financial preparation for homeownership.

CHAPTER V

DISCUSSION

Little research has been conducted on the role of realtors in educating first-time homebuyers (FTHBs) about the home-buying process (Memken & Niemeyer, 2010). Since realtors are one of FTHBs' first contacts in the housing market, it is important to know how they perceive their clients' knowledge and how they educate their clients. This study investigated how realtors perceived the preparation levels of their FTHB clients, focusing on three main areas: overall pre-purchase preparedness, mortgage and housing sustainability knowledge, and knowledge about the costs and obligations of homeownership. The study also gathered data on the usefulness of FTHB workshops; not only how they prepared FTHBs for homeownership, but also how they helped FTHBs become financially prepared for homeownership and make educated decisions.

This study provided realtors' perspectives on the level of pre-purchase preparedness and knowledge of FTHBs. Fewer than 45% of FTHBs were perceived to be well-prepared for homeownership according to the realtors who participated. Results also indicated that the level of mortgage knowledge and knowledge about housing sustainability directly related to the level of pre-purchase preparedness of FTHBs as perceived by realtors. When pre-purchase preparedness levels were low, mortgage knowledge and knowledge about housing sustainability levels were also perceived to be low.

A semi-annual report from the Consumer Financial Protection Bureau (CFPB; 2012) found evidence that many consumers underestimated the value of shopping around

for a mortgage. The CFPB report identified several factors that contributed to this finding. First, FTHBs experienced time pressure to complete the transaction when purchasing a home. Due to time constraints, FTHBs shopped less for a mortgage than repeat buyers and those who refinanced a mortgage. The second factor was pricing complexities in comparing mortgages. Since the financial crisis of 2008, mortgage products have become simpler, and FTHBs focus mainly on fixed-rate mortgages (CFPB, 2012). In 2006, only 55% of mortgages were fixed-rate compared to more than 90% in 2010 (CFPB, 2012). However, fixed-rate mortgages continue to offer complex choices. For example, these products often offer a trade-off between interest rates and discount points (Woodward, 2008). Along with the interest rate and discount points, FTHBs' mortgage price could vary among lenders depending on credit ratings, home values, and other factors. These complex issues often leave FTHBs confused about comparing mortgage costs. Third, many consumers found it confusing to read, understand, and use the required mortgage documents (CFPB, 2012). Complexity of disclosures makes understanding and comparing mortgage costs and terms difficult.

The findings of this study indicated that realtors perceived the main reason for FTHBs being poorly-prepared for homeownership was not having their personal finances in order. Realtors commented that FTHBs who did not have money saved for a down payment and closing costs were not prepared for homeownership. Responses to the survey also indicated the realtors perceived that FTHB did not understand housing affordability, the full cost of a mortgage, and the cost of homeownership.

An additional finding from this research was that realtors perceived the most frequent problem or issue that arose for FTHBs during the home-buying process was obtaining a mortgage. Along with that, realtors stated that another frequent problem was underwriting delays. One cause mentioned for underwriting delays was credit problems of the potential borrowers and the effects they had on qualifying for a mortgage.

The findings from this study can be narrowed down to one issue. This primary issue is the usefulness of FTHB workshops. According to realtors, only 20% of their FTHBs attended a FTHB workshop. Realtors also reported that they perceived FTHB workshops to be more than somewhat useful. Earlier research has also indicated the value of FTHB workshops. The literature review demonstrated a connection between realtors' perspectives on how to better prepare FTHBs and previous research which has been conducted on FTHB workshops (Hirad & Zorn, 2001). This connection will be explained in the following paragraphs.

Pre-purchase counseling – including FTHB workshops – has had positive outcomes for participants (Hirad & Zorn, 2001). The results of this study confirmed conclusions from earlier research on the value of FTHB workshops. The main reasons realtors in this study feel that FTHB workshops are useful are they taught FTHBs about financial preparation, mortgages, and credit reports and credit scores. These are the same areas in which realtors perceived FTHBs to be lacking. Factors that realtors listed when claiming that FTHB workshops are useful are similar to the findings of Neighborworks' (2005) study reporting that benefits of education for homeowners include: reduced loan

delinquencies, improved financial health, increased financial knowledge, and pricing considerations (how much house they can afford).

Other studies have concluded that FTHB workshops make borrowers better able to measure their “ability to pay” and select appropriate loan products (Hartarska et al., 2002). One study showed that FTHBs with affordability education from counseling programs, such as FTHB workshops, had a default rate one-half that of non-counseled borrowers (Hartarska et al., 2002). Another study found that increasing FTHBs’ financial literacy is important to improving access to credit for home mortgages; knowing what a credit score is and the components of a credit report lead borrowers to better financial outcomes (Courchane et al., 2008).

FTHBs who participate in pre-purchase education gain a greater knowledge about mortgages and housing affordability and sustainability (Hirad & Zorn, 2001). Once FTHBs achieve a better understanding of their personal finances they can be better prepared to save money for a down payment and closing costs, and understand what monthly payment amount they can afford, without sacrificing other non-shelter needs. As their knowledge increases about mortgages and housing sustainability, according to the realtors’ perceptions, their level of pre-purchase preparedness should also increase.

This study also considers equity theory. Equity theory maintains that no borrower with substantial equity in their home would default, even if unable to make monthly payments (Clauret & Sirmans, 2003). Currently, markets are imposing certain requirements on down payments, ability to pay, and good credit (Calem et al., 2009). When FTHBs contribute their own money to the purchase of a home in the form of a

down payment, they stand to lose this money when house prices decline or if they become delinquent (Clauretie & Sirmans, 2003). Results of this study suggest that typical down payments have increased since 2008 due to tighter lending standards. However, the greater effect may be as Clauretie and Sirmans (2003) stated, FTHBs who are more financially invested may think twice about defaulting on their mortgage.

Even though this study indicated that realtors perceived FTHB workshops to be useful, a majority of the respondents disagreed that FTHB workshops should be mandatory. Although this may seem contradictory to other findings in this study, realtors mostly stated that they do not believe the government should be involved and mandate another barrier for FTHBs who are seeking to become a homeowner. Instead of making FTHB workshops mandatory, realtors insisted that their role in the home-buying process is to inform FTHBs and connect them with a network of professionals. When asked how to better prepare FTHBs for homeownership, realtors' most frequent response was "a qualified realtor is all FTHBs need." As suggested in the introduction to this study, realtors were one of the groups who could benefit from this research. Realtors can assist FTHBs in purchasing a home by concentrating their education in these areas – mortgages and housing affordability.

Other groups who can benefit from the findings of this study are providers of homeownership education and affordable housing programs. When this study identified, from the perception of a realtor, how many FTHBs are poorly prepared for homeownership, it also identified a possible gap in homeownership education. The gap in FTHBs perceived knowledge, as provided in this study, is providing understandable

information about mortgage products, mortgage terms, and what qualifies buyers for a mortgage. Also, FTHBs are perceived to be unprepared in the area of personal financial preparedness before qualifying for a mortgage, and lack understanding about the importance of housing affordability. Having finances in order is a basic text book recommendation to prepare for homeownership. The mortgage industry continues to evolve, and FTHB workshops need to keep up with the changes.

Providers of homeownership education can take into consideration these findings when evaluating their workshops to identify “best practices,” improve FTHB education effectiveness, and establish educational programs that help FTHBs make more wise financial decisions for themselves and their communities (Lyons et al., 2006). Considering the impact of the 2007-2008 financial crisis, more people may be looking to government-sponsored homeownership programs to help them achieve their housing goals (Memken & Niemeyer, 2010). Although these alternatives provide affordable housing and incentives for FTHBs to become homeowners, it is important that FTHBs make educated decisions. Providers of affordable housing programs should also consider these findings when evaluating their program’s effectiveness.

Limitations and Strengths

One limitation of this study is the size of the sample used to collect data. The sample represented the population of realtors belonging to the Cache Rich Association of Realtors (CRAR) in northern Utah. CRAR contains approximately 320 member realtors. The sample size consisted of 66 member realtors of the CRAR, about 21% of the

population. To strengthen results two approaches were taken: (1) a simple random sample was selected to give each member of the population an equal chance to participate in the research study, (2) a power analysis was performed to calculate the minimum sample required to achieve a significant effect size. A sample size of 60 was calculated to have an effect size of 0.35, giving the ability to discern a statistically significant difference at the .05 alpha level.

The narrow geographical region is another limitation of this study. The sample population consisted of realtors belonging to the CRAR. The CRAR is limited to two counties in northern Utah. The study would have been more comprehensive if additional realtor associations participated in the survey. This would have allowed for a bigger picture of realtors' perceptions of FTHBs.

Another limitation of this study derives from the population used. As realtors were the sole respondents in the survey, response bias needs to be addressed. Now is a time of anti-regulations throughout the nation, especially in Utah. A different perspective may have been obtained in another state. Anti-regulation also stems from the string of regulations and requirements that have been added to the mortgage industry since the 2007-2008 financial crises. Realtors, to avoid additional regulations, may have responded with self-serving answers to better their position in the mortgage industry. Furthermore, it is not known how many realtors have attended or knows what is taught at a FTHB workshop. FTHB workshops throughout the state and nation do not have the same content, various topics can be discussed.

Recommendations for Future Research

Future research could focus on realtors' claim for responsibility to provide education to FTHBs. There is potential for a study to be conducted concerning documentation of the communication of information between realtors and FTHBs. This could also include finding out what and how realtors teach FTHBs, and the resources realtors have to share with them. Research from this type of study could identify a need for training realtors in FTHB education. With the wide range of realtor experience in this study it would have been interesting to know what kind of experience realtors had in educating their FTHB clients. Research might even find that training already exists for realtors in educating FTHBs. A program evaluation of such training might also be a future research study.

A study conducted directly with FTHBs might also be beneficial. For instance, one might evaluate the effectiveness of a FTHB workshop through a longitudinal study of workshop participants. The use of a control group of homebuyers who have not attended a FTHB workshop would strengthen this type of study. This type of longitudinal study might provide insight into the long-term effects of the findings from this research study such as better understanding of personal finances, long-term housing sustainability, or mortgage repayment performance.

According to Essene and Apgar (2007), everyone in the housing industry has a role to play in improving the efficiency and fairness of the mortgage marketplace. In addition to the realtor, mortgage lenders play an important role in educating prospective homebuyers about the decision of mortgage financing. This study was conducted to

identify, from the perception of a realtor, how prepared FTHBs are when purchasing a home. In the future, this same, or similar study, could be conducted on other actors in the housing industry. These actors could include mortgage lenders, title company employees, and even housing inspectors. Perspectives from other individuals, along with that of realtors could provide even more insight into pre-purchase preparedness for FTHBs.

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APPENDIX

First-Time Homebuyers Perceived Preparedness: A Realtors Perspective

Pre-Purchase Preparedness:

- Overall, what do you think the level of pre-purchase preparedness is of your First-Time Homebuyer clients?

Not at all prepared

Very well prepared

1 2 3 4 5 6 7 8 9 10

- Based on your expert knowledge, what percentage of First-Time Homebuyers would you say are well-prepared for homeownership? _____%

- On what factors did you base your response to question 2?

- Based on your expert knowledge, what percentage of First-Time Homebuyers would you say are poorly-prepared for homeownership? _____%

- On what factors did you base your response to question 4?

- What percentage of First-Time Homebuyers do you think attend a First-Time Homebuyer workshop?

0-10% 11-20% 21-30% 31-40% 41-50% 51-60% 61-70% 71-80% 81-90% 91-100%

1 2 3 4 5 6 7 8 9 10

- To what extent do you think First-Time Homebuyer workshops are useful?

Not at all useful

Very useful

1 2 3 4 5 6 7 8 9 10

- On what factors did you base your response to question 7?

- To what extent do you agree that First-Time Homebuyer workshops should be **mandatory**?

Disagree

Somewhat Agree

Agree

1 2 3 4 5 6 7 8 9 10

10. On what factors did you base your response to question 9?

11. From 2008 on, what is the most typical down payment you see First-Time Homebuyers putting down?

No down payment	1-2%	3%	4-5%	6-9%	10%	11-14%	15%	16-19%	20% or more
1	2	3	4	5	6	7	8	9	10

12. Before 2008, what was the most typical down payment you saw First-Time Homebuyers putting down?

No down payment	1-2%	3%	4-5%	6-9%	10%	11-14%	15%	16-19%	20% or more
1	2	3	4	5	6	7	8	9	10

Mortgage Knowledge:

13. Overall, what do you think the level of mortgage finance knowledge is of your First-Time Homebuyer clients?

Very little knowledge							A lot of Knowledge		
1	2	3	4	5	6	7	8	9	10

14. On what factors did you base your response?

15. How knowledgeable do you think First-Time Homebuyers are when considering housing sustainability, which means, buying a home within their means and being able to make the house payments in the long run?

Very little knowledge							A lot of Knowledge		
1	2	3	4	5	6	7	8	9	10

Closing Process:

16. Overall, what do you think the level of knowledge is of your First-Time Homebuyer clients about the closing process?

Very little knowledge							A lot of knowledge		
1	2	3	4	5	6	7	8	9	10

17. How knowledgeable do you think First-Time Homebuyers are about the cost and obligations of homeownership?

1	2	3	4	5	6	7	8	9	10
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18. Typically, how often, if at all, do the following problems or issues arise during the home-buying process?

Rate the following 1-5

(1) Never (2) Rarely (3) Sometimes (4) Often (5) Almost
Always

- a. Obtaining homeowners insurance. _____
- b. Getting qualified inspectors. _____
- c. Getting any testing done or inspection done. _____
- d. Getting needed repairs made. _____
- e. Obtaining a mortgage. _____
- f. Confusion about the transaction. _____
- g. Spending more than they may be able to afford. _____

19. Are there any other problems that often result? If yes, what are they?

Demographics:

- 20. What is your gender? Male Female
- 21. What is your age? _____
- 22. How many years have you been a real estate agent? _____
- 23. What is the highest level of formal education you have obtained?

___ Grade School	___ Associates Degree
___ Some High School	___ Bachelor's Degree
___ Completed High School	___ Master's Degree
___ Some College	___ Doctorate or Professional Degree
- 24. Which type of real estate agent do you consider yourself?

Full-time	Part-time	Hobby
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- 25. What is the percentage of First-Time Homebuyers among your clients?
_____ %

26. What recommendations would you give about how to BETTER PREPARE First-Time Homebuyers?
